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IN THE

Supreme Court of the United States

OCTOBER TERM, 1948.

No. 395

CONSUMERS COMPANY,
Petitioner,

vs.

CONSUMERS PETROLEUM COMPANY,
Respondent.

BRIEF FOR RESPONDENT IN OPPOSITION.

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Opinion Below.

The opinion of the Circuit Court of Appeals for the Seventh Circuit is reported in 169 F. 2d 153, and may be found in the transcript of the record at pages 328-349.

Jurisdiction.

Jurisdiction of this Court has been invoked under Section 240(a) of the Judicial Code as amended by the Act of February 13, 1925.

Question Involved.

Whether the decision of the Circuit Court of Appeals merits review, where that Court affirmed the findings, conclusions, and recommendations of a Master in Chancery, to whom the cause was referred, that petitioner had unlawfully and unfairly competed with respondent in the

use of its corporate name and trade name "Consumers" in the light of findings of fact of the Master concurred in and approved by the Circuit Court of Appeals: that respondent was the first to use its corporate name "Consumers Petroleum Company" and trade name "Consumers" in the marketing, sale, and distribution of fuel oil in Chicago and environs; that it commenced the use of the trade names immediately upon its organization and entry into the fuel oil distribution business in December, 1925; that although the name "Consumers" was then in general use as a trade name, no company or person was then employing the name in the fuel oil business; that respondent rapidly built up a large volume of business, established bulk plants, purchased a fleet of oil delivery trucks, engaged door to door salesmen, advertised extensively, and built up "a very valuable good will" for respondent company, its business, its products and its trade names (CCA Op., Tr. p. 333); that petitioner, while first incorporated (1913), had confined its business to the sale and distribution of hard fuels such as coal and coke until the fall of the year 1938, when for the first time it entered the business of the sale and distribution of fuel oil in the Chicago area on its own account and under its corporate name and the name "Consumers" (CCA Op., Tr. p. 333); that no confusion existed in the minds of the fuel oil purchasing public as between petitioner and respondent prior to 1938, but that when petitioner entered the fuel oil distribution business on its own account in 1938 considerable confusion arose and has persisted?

Statement.

Petitioner seeks review of a decision by the Circuit Court of Appeals for the Seventh Circuit affirming findings, conclusions, and recommendations by a Master in

Chancery that petitioner had unfairly competed with respondent in the sale and distribution of fuel oil in the Chicago area on its own account and under its corporate name and trade name "Consumers". Petitioner's summary and short statement of the matter involved and statement of the facts contained in its petition are inaccurate and incomplete. Petitioner argues the case on non-existent or rejected facts, and its statement of the case makes no mention of the crucial fact that the action was referred to and tried wholly before a Master in Chancery. Petitioner never directly refers to this fact, but would have this Court believe that the cause was tried initially by the District Court. The District Court on objections to the Master's report sustained those objections, but himself heard no evidence, and accepted the record as made before the Master. The Circuit Court of Appeals on review sustained the findings of the Master on the evidence, found that petitioner was guilty of unfair competition, found that respondent was entitled to the equitable relief prayed for in its complaint, but denied respondent's claim for lost profits.[1] The case sought to be stated by the petitioner is not the case which was before the Master and the Circuit Court of Appeals. Petitioner argues not this cause, but some non-existent fictitious pro-

[1] The denial by the Circuit Court of Appeals of respondent's claim for lost profits is the subject of a separate cross petition for a writ of certiorari in Cause No. 425 filed November 18, 1948, with the Clerk of this Court. That cross petition challenges the decision of the Circuit Court of Appeals on a federal procedural issue of great importance in unfair competition cases which decision on this single feature of the case at bar is in conflict with decisions of this Court and the lower federal courts. The issue which petitioner seeks to review here, as will be pointed out, concerns only an issue of substantive local law (i.e., the fact of unfair competition), which was correctly applied by the Circuit Court of Appeals.

ceeding found only in the inventive imaginings of its able counsel.

The action was brought by respondent, Consumers Petroleum Company, an Illinois corporation, against Consumers Company of Illinois, a Delaware corporation, charging the latter with unfair competition in using its corporate name and the trade name "Consumers" in the sale, distribution, and marketing of fuel oil in Chicago and its immediate environs. Respondent sought injunctive relief as well as an accounting for lost profits which it alleged it had suffered as a result of petitioner's wrongful conduct. Petitioner filed counterclaims alleging respondent rather that itself to be guilty of unfair competition, and seeking injunctive relief and an accounting for lost profits. The complaint and counterclaims were based on substantially the same factual premises and legal theories. Each of the parties alleged confusion to have existed in the minds of the public as between respondent and petitioner, and each sought to attribute responsibility for the confusion to the other. Respondent alleged that it had served a written protest and demand on petitioner prior to suit to desist from respondent's course of unfair competition.

The case was referred to a Master in Chancery, who after hearing and considering a large amount of evidence in the course of extended hearings, filed an elaborate report in which he found the facts and law in favor of respondent, found petitioner guilty of engaging and persisting in the course of unfair competition alleged in the complaint, and recommended that petitioner be enjoined from using its corporate name and trade name "Consumers" in the sale, distribution, and marketing of fuel oils in Chicago and environs, and that it account to respondent for lost profits in the sum of $167,348.62 suf-

fered by respondent as a consequence of the course of unfair competition. The Master recommended that petitioner's counterclaims be dismissed for want of equity.

The District Court sustained exceptions to the Master's report, and ordered both the complaint and the counterclaims dismissed. The District Court heard no evidence, and despite the fact that there was an abundance of evidence to support the Master's findings and despite the requirements of Rule 53(e)(2) of the Federal Rules of Civil Procedure, refused to follow the Master's findings and recommendations, but adopted its own.[2]

Respondent appealed. Petitioner did not appeal from the dismissal of its counterclaims. The Circuit Court of Appeals sustained the Master both as to the facts and the law on the issue of unfair competition and respondent's right to injunctive relief, but affirmed the judgment of the District Court only insofar as it denied respondent's claim for lost profits which the Master had awarded to it. The following summary of facts are those found to be established by the Master and concurred in and approved by the Circuit Court of Appeals.

Respondent, Consumers Petroleum Company, an Illinois corporation, was incorporated in December, 1925. It immediately ventured upon and from that time to the present has engaged exclusively in the business of marketing fuel oils for domestic and industrial heating and power purposes in Chicago and environs, using the name "Consumers" and its corporate name "Consumers Petroleum Company" as trade names. Respondent was one of

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[2] Cf., Santa Cruz Oil Co. v. Allbright-Nell Co. (CCA 7, 1940), 115 F. 2d 604, 607-608; Arrow Distilleries v. Arrow Distilleries (CCA 7, 1941), 117 F. 2d 636, 638-639; Morris Plan Indus. Bank v. Henderson (CCA 2, 1942), 131 F. 2d 975, 976-977.

the first to engage in the sale and distribution of fuel oil in the Chicago area, and was admittedly the first company in the Chicago area to market fuel oil under the name "Consumers" although the name was then in widespread use in that area by various companies, corporate and otherwise, conducting a variety of other businesses. The industry, at the time respondent entered it, was in its infancy since the mechanical domestic fuel oil burner was in the stage of successful development. The industry was from its outset in direct competition with the well entrenched and flourishing coal and coke industry. In 1925 petitioner's predecessor, Consumers Company, an Illinois corporation organized in 1913, was a well established company engaged vigorously in the sale and promotion of hard fuels (coal and coke) for domestic and industrial heating purposes to the exclusion of fuel oil and any other substitute for coal and coke. It had never engaged in the sale and marketing of fuel oil, and was not so engaged when plaintiff entered the fuel oil business in 1925.

Commencing immediately with its entry into the fuel oil business, respondent expended and ventured large sums of money in the erection, maintenance, and expansion of plant facilities, the purchasing and operation of oil truck fleets, the establishment, maintenance, expansion of its sales, office, and mechanical force, and the extensive advertising of its corporate name and the name "Consumers" as trade names. The Master found and the Circuit Court of Appeals approved the finding that respondent had succeeded in building up "a very valuable good will" (CCA Op., Tr. p. 333).

Petitioner, Consumers Company of Illinois, a Delaware corporation, was incorporated in 1937. Petitioner had

been formed and incorporated in Delaware pursuant to an approved plan of reorganization as successor to a 1913 Illinois corporation which had undergone bankruptcy proceedings early in 1934. In 1927, long after respondent had entered the fuel oil sale and distribution market, petitioner's predecessor began the limited sale and marketing of fuel oil, not on its own account or under its own name, or as its product, but only as sales agent for the Standard Oil Company of Indiana. When petitioner succeeded the old company in 1937, it continued the Standard Oil agency agreement in the same manner as its predecessor. It and its predecessor advertised the fuel oil products as those of and guaranteed by Standard Oil Company, and employed the Standard Oil Company trade names "Stanolind" and "Stanolex." Deliveries were made by Standard Oil Company in its trucks directly to the user. Unlike respondent, neither petitioner nor its predecessor had any fuel oil plant, bulk station, or similar facilities, nor any fuel oil trucks nor any fuel oil sales staff as distinguished from its coal and coke sales staff. Its volume, even as agent for Standard Oil, was extremely negligible. It sold for and on behalf of Standard Oil a mere 186,000 gallons per year over an eleven year period, concerning which the Circuit Court of Appeals observed that "It is pertinent to note that defendant's fuel oil business was an infinitesimal part of its business." No sales were made under its corporate name or the name "Consumers" (CCA Op., Tr. p. 333). During this period no confusion arose among the buying public as between respondent and petitioner and its predecessor as sources of supply of fuel oil. This fact was emphasized by both the Master and the Circuit Court of Appeals.

However in the year 1938 the situation changed radically in that petitioner terminated its relation with Stand-

ard Oil Company and for the first time entered the fuel oil business on its own account and under its corporate name and the name "Consumers" as trade names in competition with others in the field in the Chicago area, particularly respondent. It created a fuel oil department in its organization, and announced to its stockholders (March, 1939) that it had entered the fuel oil business. No mention of fuel oil business had been made in any prior report (CCA Op., Tr. p. 333).

Petitioner and its predecessor were fully cognizant of the nature and extent of respondent's operation, including the use by respondent of its corporate name and the name "Consumers" as trade names as early as 1936 (CCA Op., Tr. 333-335), and while petitioner's radical change in business policy effective in 1938 was found not to be activated by fraud or bad motive, it was found to have been deliberate.

For the first time public confusion immediately arose and thereafter persisted as between respondent and petitioner as sources and purveyors of fuel oil, whereas no confusion had arisen at any time during the preceding eleven years. This fact was emphasized by both the Master and the Circuit Court of Appeals (CCA Op., Tr. p. 332-333). Both respondent and petitioner alleged such confusion to have existed, and introduced evidence establishing the fact of such confusion from and after 1938, the date of petitioner's entry into the fuel oil field. Respondent made written protest and demanded that petitioner cease its course of unfair competition. Petitioner ignored this demand, and has persisted and is still persisting in the course of conduct which both the Master and the Circuit Court of Appeals found to be wrongful. Within a month after service of its protest, respondent commenced this action.

ARGUMENT.

1. Petitioner contends that the Circuit Court of Appeals decided an important question of law in a way in conflict with the applicable decisions of the Illinois courts and with applicable decisions of this Court and of other United States Courts of Appeal.

The fact of unfair competition is one of local law, as has been specifically held by this Court. See e. g., *Fashion Originators Guild* v. *FTC* (1941), 312 U. S. 457, 468; *Pecheur Lozenge Co.* v. *National Candy Co.* (1941), 315 U. S. 666, 667. The decision by the Circuit Court of Appeals, like most decisions in the field of unfair competition, primarily rests on the peculiar facts of each individual case. The findings of the Master, which were approved by the Circuit Court of Appeals, establish the fact of unfair competition, and establish the need of injunctive relief as prayed for in plaintiff's complaint. The compelling facts are summarized by the Circuit Court of Appeals at pages 333-335 of the record. Petitioner in this Court, as in the Courts below and before the Master, primarily asserts that an individual or corporation has a property right in its name and an inherent right to use it if it is lawfully possessed or acquired. It would seem too apparent to need the support of any authority that a corporation has the right to use its name as a trade name only if it does not compete unfairly by reason of such use. Where a name is used by a later competitor which leads the public to understand that those goods are the product of a concern already established and well known under that name, then the law will require the junior in the particular field of competition to desist

from this unfair trade practice, to end the resulting confusion of source or origin. These decisions are discussed by the Circuit Court of Appeals at pages 337-341 of the record and fully and adequately sustain that proposition. See e.g., *Waterman* v. *Modern Pen Co.*, 235 U. S. 88, 94; *Johnson Mfg. Co.* v. *Johnson Skate Co.*, 313 Ill. 106, 125; *Koebel* v. *Landlord's Protective Buerau*, 210 Ill. 176, 183; *Investors Syndicate* v. *Hughes*, 378 Ill. 413, 424; *Lady Esther, Ltd.* v. *Lady Esther Corset Shoppe, Inc.*, 317 Ill. App. 451. See also *American Steel Foundries* v. *Robertson*, 269 U. S. 372, 380; *Hanover Star Milling Co.* v. *Metcalf*, 240 U. S. 403, 415; *United Drug Co.* v. *Rectanus*, 248 U. S. 90, 97; *FTC* v. *Algoma Lbr. Co.*, 291 U. S. 67, 81; *Esso Inc.* v. *Standard Oil Co.*, (CCA 3, 1938) 98 F. 2d. 1, 6; and *Fruit Industries Ltd.* v. *Bisceglia Corp.*, (CCA 3, 1939) 101 F 2d. 752, 754. The Court concluded from these cases that a person or corporation may acquire a property right in a generic, non-descriptive trade name only by actual use of such name in connection with the goods being merchandised by the corporation; that defendant acquired no property right in the trade name "Consumers" as applied to fuel oil "for the reason that it did not use such name in that connection until 1938 and long prior to that time the trade name had been appropriated and used by the plaintiff in connection with such business. As a corrollary, plaintiff in 1925 had a right to appropriate and use the name in connection with fuel oil." (CCA Op., Tr. p. 340). The issue of whether the foregoing constituted unfair competition was decided adversely to petitioner by the Master, whose findings were affirmed by the Circuit Court of Appeals. The authorities relied on by the Circuit Court of Appeals amply and abundantly supports its decision on the finding of unfair competition.

2. Petitioner contends (Petition, p. 5) that the effect of the decision will prevent businesses from entering new fields of competition. This does not follow. A company may enter a new field, but it cannot engage in unfair competition when it does so. Petitioner argues that it was natural to expect it to extend its business from coal and coke to fuel oil. This we do not deny, but it cannot engage in the new field in a manner inimical to one already in the field. The rule is well established that when generic, non-descriptive terms such as "Consumers" are employed as trade names, the good will attaches only to the particular commodities marketed by the company under that name. In other words exclusive right to the use of general trade names applies only to the extent of prior use of the name. The Circuit Court of Appeals fully discussed this proposition (Op., Tr. pp. 335-336). The cases there cited are representative of many decisions so holding. The limited protection extends only to petitioner's right to the name "Consumers" in the sale of articles such as coal, coke, and building materials, which were sold by it under that trade name. Petitioner seeks to invoke a discredited rule of law which would give it power to exclude any competitors from fields of endeavor in which it might engage some time in the future. The effect would be to give a monopoly to petitioner of the name "Consumers." Furthermore it was respondent, not petitioner, who acquired the good will, the large business, and the institutional reputation, with respect to the sale of fuel oil under the trade name "Consumers." In addition fuel oil was a competitor of coal and coke for heating purposes. Consumers Company was a very large merchandiser of coal and coke, and it was not until 1938 that it realized there was a substantial future in the sale of fuel oil, and that its coal and coke

business was falling off markedly because of the competition of fuel oil. Consumers Company fought the incursion of fuel oil in the heating fuels business. The infinitesimal amount of business done by Consumers Company as agent for Standard Oil Company during the period 1927-1938 stands as eloquent proof of Consumers Company's attitude toward fuel oil. After respondent had early entered into the fuel oil field, taken the risks of the business, and developed the marketing of fuel oil for commercial and domestic consumption to an extremely successful degree, then and only then did petitioner enter the fuel oil field, and begin its course of unfair competition.

3. Petitioner (Petition, p. 6) states that the writ should be allowed to resolve any doubt on the question of law involved, (*what* question of law, it does not reveal), because it says two of the federal judges who considered the case opposed the opinion of the other two. We did not know until proposed by petitioner, that this had ever been advanced as a ground for granting *certiorari*. This argument finds no support in the authorities or rules of this Court for granting petitions for writs of *certiorari*. In any event the numerical account is highly inaccurate in that the case was first heard by a Master as the sole trier of the facts, who held for respondent; the District Court (although hearing no evidence) sustained objections to the Master's report; and the Circuit Court of Appeals upheld the Master's findings, conclusions, and recommendations with respect to the fact of unfair competition and the need for injunctive relief.

4. Petitioner asserts that if respondent's interpretation of the majority's opinion should prevail, then petitioner will be enjoined from the use of its corporate name in the fuel oil business. Respondent asked that pe-

titioner be enjoined from using its corporate name or the trade name "Consumers" in the sale and marketing of fuel oil. Petitioner itself, by its counterclaims, asked for exactly the same relief against respondent. The Master determined that this was the kind of relief which respondent should receive to end the confusion of the buying public and prevent petitioner from continuing its reckless and deliberate course of unfair competition to the injury of respondent in its property rights in its corporate and trade names. The Circuit Court of Appeals found the fact of unfair competition to have been established and that respondent was entitled to injunctive relief as prayed for. The form of the equitable relief is peculiarly within the discretion of the trier of fact. Under the facts of the case at bar it cannot be said that the Master and the Circuit Court of Appeals, in affirming his recommendations in this respect, abused their discretion. There is ample authority for the granting of such relief where it is thought necessary and appropriate. See e.g., *Esso Inc.* v. *Standard Oil Co.*, (CCA 8, 1938), 98 F 2d. 1, 7; *Phillips* v. *Governor & Co.*, etc. (CCA 9, 1935) 79 F 2d. 971, 973-5. The Illinois courts have approved the use of an injunction enjoining the use by an unfair competitor of its corporate name as a trade mark. See e.g., *Lady Esther, Inc.* v. *Lady Esther Corset Shoppe* (1943) 317 Ill. App. 451; *Investors Syndicate* v. *Hughes* (1946), 378 Ill. 106. See also, *L. E. Waterman Co.* v. *A. A. Waterman and Co.*, (1923) 229 Ill. App. 630; Nims "Unfair Competition" 4th Ed., p. 213. In the *Waterman* case the Illinois Court stated that the explanatory phrase device even in a personal name case on the facts of the case before it was insufficient protection as between direct competitors, that it served to increase confusion, and that it did not in any way protect against encroach-

ment, erosion, and appropriation of a trade name by another, but rather had the opposite effect.

6. Petitioner claims (Petition, pp. 13-15) that in the absence of palming off, secondary meaning, or fraud no relief may be granted. Throughout the entire case petitioner completely misconceived the issue, which was one of confusion of source, and not confusion of goods. The case at bar involved confusion of source, a confusion alleged by both parties in their pleadings, and established by their proof. This was not a case of incidental confusion, but was a case of actual confusion as pointed out by the Circuit Court of Appeals (Op., Tr. p. 341) requiring the intervention of a court of equity to determine the rights of the parties and to enforce those rights to end that confusion. This has been done in the case at bar, and petitioner's only complaint is that it was the guilty party. The Circuit Court of Appeals discusses and fully distinguishes the applicable authorities advanced by petitioner (Op., Tr. pp. 341-342). The Illinois authorities fully support the decision of the Circuit Court of Appeals that actual confusion of source is sufficient to invoke the jurisdiction of a Court of equity. See e.g., *Johnson Mfg. Co.* v. *Johnston Skate Co.*, 313 Ill. 106, 125; *Koeble* v. *Landlord's Protective Bureau*, 210 Ill. 176, 183; *Investors Syndicate* v. *Hughes*, 378 Ill. 413, 424; and *Lady Esther Ltd.* v. *Lady Esther Corset Shoppe, Inc.*, 317 Ill. App. 451. See also *American Steel Foundries* v. *Robertson*, 269 U. S. 372, 380; *Hanover Star Milling Co.* v. *Metcalf*, 240 U. S. 403, 415; *FTC* v. *Algoma Lbr. Co.*, 291 U. S. 67, 81; and *Esso, Inc.* v. *Standard Oil Co.*, (C. C. A. 3, 1938) 98 F. 2d, 1, 6. Furthermore "secondary meaning" means nothing more than that the buying public has come to associate a name with a source. It is synonymous with good will. The Master found and the Circuit Court of Appeals approved the finding that respondent in the case at bar

over a course of the years had acquired a large amount of good will in the sale and marketing of fuel oil. The admitted fact of actual confusion is sufficient to establish this. The large investments made by plaintiff in fuel oil trucks, advertising, bulk plants, and in the sale of its products identified it as a source of fuel oil to its 15,000 customers. This was the real, valuable and tangible property right which the Circuit Court of Appeals found had been infringed. Under the facts of the case we are at a loss to determine petitioner's argument in this respect.

CONCLUSION.

Petitioner has set forth no grounds or reasons which should impel this Court to grant its petition for a writ of *certiorari* as prayed for by petitioner. The petition essentially presents only issues of local law. For the reasons stated, it is respectfully submitted that the decision of the Circuit Court of Appeals sought to be reviewed merits no further review by this Court. The finding of unfair competition and the granting of injunctive relief are abundantly supported by the facts of the case at bar and by the mass of authorities relied on by the Circuit Court of Appeals. It is therefore respectfully submitted that petitioner's application for writ of *certiorari* should be denied.

Respectfully submitted,

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